

1 operator. We knew that our planning and we knew that
2 our costs would be lower. We knew that our forte would
3 be in operations not in just being a financial investor
4 in markets.

5 Q. I didn't get the second objective down
6 precisely.

7 A. It was to care for our joint venture partners.
8 We had gone into this on the basis of their presence.
9 We needed to make sure that they were cared for and
10 make sure that they got a fair deal, even though they
11 weren't able to be represented on the negotiating
12 table.

13 Q. Were you representing them at the negotiating
14 table?

15 A. Yes.

16 Q. Did you have any specific plans for achieving
17 these objectives in the context of these markets?

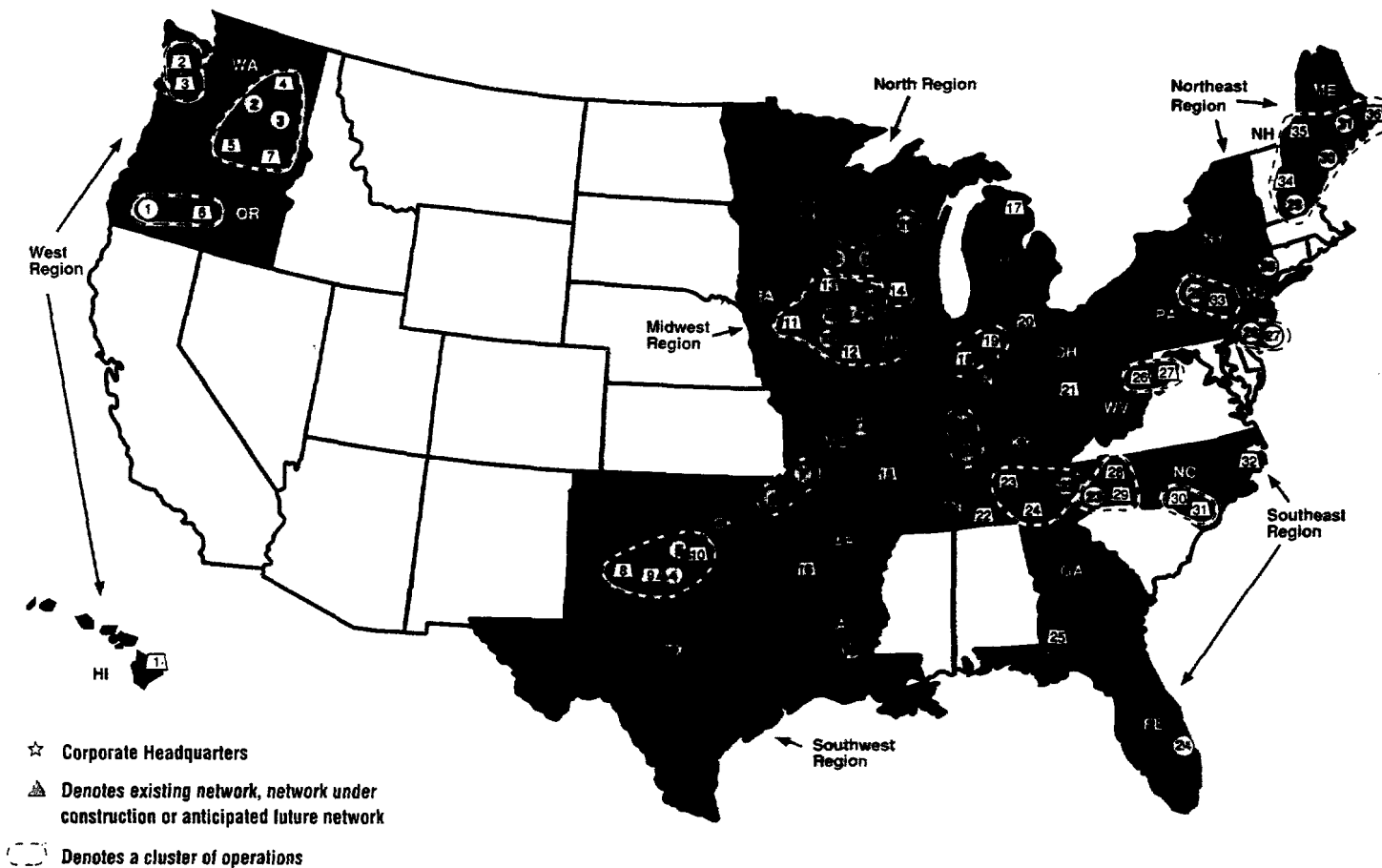
18 And let me try to phrase that more
19 clearly. Did you have a desired outcome with regard to
20 these markets that you thought would best achieve these
21 two objectives?

22 A. In regard to Mississippi --

23 Q. Well, --

24 A. -- or those markets?

CELLULAR OPERATIONS



Managed Systems

TDS and USM own or have a right to acquire an interest and have a right to manage.

- **Metropolitan Statistical Areas ("MSAs")**

1. Medford
2. Yakima
3. Richland-Kennewick-Pasco
4. Wichita Falls
5. Lawton
6. Tulsa
7. Joplin
8. St. Cloud
9. Rochester
10. La Crosse
11. Wausau
12. Des Moines
13. Waterloo-Cedar Falls
14. Cedar Rapids
15. Dubuque
16. Davenport
17. Columbia
18. Alexandria
19. Peoria
20. Evansville
21. Owensboro
22. Knoxville
23. Asheville
24. Fort Pierce
25. Williamsport
26. Vineland-Millville-Bridgeton
27. Atlantic City
28. Poughkeepsie
29. Manchester-Nashua
30. Lewiston-Auburn
31. Bangor

- Rural Service Areas ("RSAs")**
Not Operational, except Washington RSA 6

1. Hawaii 3
2. Washington 4
3. Washington 6
4. Washington 5
5. Oregon 2
6. Oregon 6
7. Oregon 3
8. Texas 4
9. Texas 5
10. Oklahoma 8
11. Iowa 9
12. Iowa 3
13. Iowa 12
14. Wisconsin 8
15. Missouri 17
16. Arkansas 9
17. Michigan 4
18. Indiana 5
19. Indiana 4
20. Ohio 1
21. Ohio 9
22. Tennessee 6
23. Tennessee 3
24. Tennessee 7
25. Georgia 13
26. West Virginia 5
27. West Virginia 4
28. North Carolina 2
29. North Carolina 4
30. North Carolina 5
31. North Carolina 11
32. North Carolina 14
33. Pennsylvania 8
34. New Hampshire 1
35. Maine 1
36. Maine 4

News Release

**UNITED STATES
CELLULAR**

MOBILE TELEPHONE NETWORK

8410 West Bryn Mawr Avenue
Suite 700

Chicago, Illinois 60631

Telephone: 312-399-8900

Facsimile: 312-399-8936

Excellence in Communications Services

A TDS Company

For Release: Immediate

UNITED STATES CELLULAR REPORTS SIGNIFICANT INCREASES IN 1992 REVENUES, CUSTOMERS AND CASH FLOW

February 22, 1993, Chicago, IL -- United States Cellular Corporation (AMEX symbol "USM") reported substantial increases in service revenues, customers, and operating cash flow. Service revenue increased 68% primarily as a result of a 56% increase in customers during the year ended December 31, 1992. Operating cash flow increased \$14.5 million while operating income before minority share improved by \$4.1 million, or 25%. Gains totaling \$31.4 million on the sale and exchange of certain of USM's cellular properties during 1992 resulted in the Company reporting net income of \$6.2 million, or \$.11 per share, for the year. Net loss before the cumulative effect of a change in accounting principle totaled \$24.4 million, or \$.63 per share, during 1991.

TWELVE MONTHS ENDED DECEMBER 31, 1992

Service revenues totaled \$154.8 million for the year ended December 31, 1992, a 68% increase over the \$92.0 million reported for 1991. Increases in both customers and average monthly revenue per customer fueled the gain. Customers served by the Company's majority-owned and managed systems increased 56% to 150,800 at December 31, 1992 compared to 97,000 at December 31, 1991. Excluding acquisitions and divestitures, the Company's distribution channels added 50,600 new customers during the year, a 49% increase over the 34,000 new customers added during 1991. Average monthly service revenue per subscriber totaled \$105 in 1992 compared to \$100 in 1991. The significant rise in service revenues during 1992 resulted in a \$14.5 million increase in operating cash flow from the \$2.4 million reported in 1991.

Financial Highlights Twelve Months Ended December 31			
(Unaudited) (Dollars in Millions)			
	1992	1991	Change
Service Revenue	\$154.8	\$ 92.0	68%
Operating (Loss) before Minority Share	(12.7)	(16.8)	25%
Operating Cash Flow	16.9	2.4	N/M
Interest Expense	20.1	16.4	(22%)
Net Income (Loss) *	\$ 6.2	\$(24.4)	N/M

N/M Percent change not meaningful.

* Before cumulative effect of a change in accounting principle.

"Our operating results for 1992 reflect the continued success of our acquisition and operating strategies," reported H. Donald Nelson, the Company's President and Chief Executive Officer. "Growth in revenues, customers and cash flow met our targeted amounts for the year. This growth came from both our more established Metropolitan Statistical Area ("MSA") markets as well as from the newer Rural Service Areas ("RSAs"). The strengths of our market clusters have been enhanced by our successful acquisition program, which has expanded the size of the local service footprints we can offer our customers."

IN THE SUPREME COURT OF MISSISSIPPI

NO. 91-CA-0278

TELEPHONE AND DATA SYSTEMS, INC.

APPELLANT

V.

DELTA TELEPHONE COMPANY and
CELLULAR HOLDING, INC.

APPELLEES

FRANKLIN TELEPHONE COMPANY,
DELTA TELEPHONE COMPANY,
POTOSI COMPANY,
CELLULAR HOLDING, INC.,
WADE H. CREEKMORE, SR.,
WADE H. CREEKMORE, JR., and
JAMES H. CREEKMORE,

CROSS-APPELLANTS

V.

TELEPHONE AND DATA SYSTEMS, INC., and
UNITED STATES CELLULAR OPERATING
COMPANY OF BILOXI,

CROSS-APPELLEES

ON APPEAL FROM THE CHANCERY COURT OF
FRANKLIN COUNTY, MISSISSIPPI

BRIEF OF APPELLEES
AND CROSS-APPELLANTS

E. Clifton Hodge, Jr.
Michael B. Wallace
W. Robert Jones, III
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Court House Square
Post Office Box 188
Meadville, MS 39653
Telephone: 601/384-2343

H. DONALD NELSON,

upon being called to testify as a witness on behalf of defendants, after having been first duly sworn, testified as follows, to-wit:

DIRECT EXAMINATION BY MR. McKIRDY:

Q Sir, would you state your name for the record?

A H. Donald Nelson.

Q Mr. Nelson, what is your current home address?

A 803 Willow Hills Lane, Prospect Heights,
Illinois.

Q Are you employed, Mr. Nelson?

A Yes, sir.

Q By whom are you employed?

A United States Cellular.

Q In what position are you employed by United
States Cellular Corporation?

A President.

Q How long have you held the position of president?

A Since 1986.

Q Prior to 1986, did you hold a position with
United States Cellular Corporation?

A No.

Q By whom were you employed?

A Telephone and Data Systems.

Q What was your position with Telephone and Data
Systems?

A I was vice-president of cellular marketing.

Q And how long did you hold that position?

A About three years.

Q So about 1983-'86?

A Correct.

CROSS EXAMINATION BY MR. HODGE:

Q Mr. Nelson, as I understood your testimony, you first met the Creekmores in September, 1983, in Chicago. Is that correct?

A Correct.

Q And this was in connection with the discussion that they had in connection with the joint venture that was being proposed. Is that correct?

A I did not sit in on that part of the meeting.

Q Were you involved in the negotiations of the agreement with the Creekmores concerning the joint venture between Franklin Telephone Company and TDS?

A No.

Q Now, at the time of that agreement in October, 1983, did you know where the Creekmores had presences in MSAs in Mississippi?

A Yes.

Q And where were those presences?

A I don't recall. They were on the map. We went up to the map. That's all I know that we had those presences on the map.

Q Well, how many MSAs were there in Mississippi?

A Three MSAs.

Q Did the Creekmores have a presence in all of them?

A No, not at that time.

Q Not in 1983?

A It was at that time that the third one was found.

Q Wasn't it prior to the agreement in 1983 that they, in fact, had a presence in all three MSAs?

A My signature down below says March 2 of '87.

Q Okay. I was looking at the date 3-8-87.

A That doesn't appear to be my handwriting. Down below next to my signature it says 3-2-87.

Q Well, the same question as of March 2, 1987; is that correct?

A The first part of your question again, sir.

Q Is this a list of the items which you wrote that contained matters done by TDS or USCC for the joint venture as of March 2d, '87?

A Yes, sir.

Q As I understood your testimony, you provided this at the request of Mr. Carlson.

A Yes.

Q Because he wanted a list of things that TDS or USCC had done for the joint venture, is that correct?

A Yes.

Q And in fact at this time weren't the Creekmores and TDS in a fairly serious dispute about who was going to manage this operation on the Mississippi Gulf Coast?

A I don't recall the specific.

Q You don't recall that dispute? Did you know that there was a dispute?

A I knew there were some differences of opinion and I was just responding to his request for information.

Q Well, let me ask you about a few items here. At the top of the page on Exhibit 34, reading down the lefthand column, we have filing for Jackson, filing for Biloxi, filing for Pascagoula, all of the above for 7 RSAs in mid to south Mississippi. Did I read that correctly?

A Yes.

Q And then over on the righthand side of those items are A. D. Little, Jules Cohen, Koteen and--what's...?

A Naftalin.

Q Naftalin. What is A. D. Little?

A Arthur D. Little is a management consulting firm in Cambridge, Massachusetts.

Q All right. What about Jules Cohen?

A Jules Cohen is an engineering consultant located in Washington, D. C.

Q And the Koteen firm is a law firm, right?

A It's an FCC law firm in Washington, D. C.

Q Now aren't those three companies and firms listed there because they were doing the work toward which that bracket is pointing? Weren't they retained to do that work?

A Yes.

Q And who paid for that? Who paid for that work to be done?

A TDS.

Q And did TDS then charge Cellular South for that work?

A I know a bill was presented. I do not know whether the bill was ever paid.

Q Did TDS charge Cellular South for that work?

A I don't know whether it was TDS or United States Cellular.

Q Did TDS or United States Cellular charge Cellular South for this work we are talking about?

A There was a time when we were asked for a dollar

amount for those costs, and those costs were in that dollar amount.

Q Now in the second category on this list are some of the items which USCC did without contracting with third parties and didn't USCC in fact charge Cellular South for those services?

A They were part of the bill that was presented.

Q Mr. Nelson, you mentioned that you delivered to Wade Creekmore in late 1986 a management agreement. And I hand you a document entitled management agreement. Is that the management agreement you delivered to Mr. Creekmore?

A I don't know.

Q Can you see anything in this management agreement that makes you believe it is not the management agreement you delivered to Mr. Creekmore?

A No.

Q As I understood your testimony, the management agreement that you delivered to Mr. Creekmore was nothing unusual and was a standard contract for TDS in relation to management matters. Is that correct?

A Yes.

Q And the purpose of this agreement was to give TDS or United States Cellular the authority to build and manage the cellular system on the Mississippi Gulf Coast. Is that correct? That's the purpose of this agreement?

MR. McKIRDY: I have an objection here. This agreement really has never been identified as the document that he gave the Creekmores.

Q All right. I asked you, Mr. Nelson, is this the agreement that you gave the Creekmores?

A Oh, yes, I called him.

Q And when I say Creekmore, that's almost a generic term. We have three Mr. Creekmores. Did you talk to Wade Creekmore, Jr. after he received a copy of this agreement?

A Yes.

Q Was it by telephone or in person?

A By telephone.

Q Did he express any reaction to the agreement that you had sent him?

A He was elated.

Q How did you know he was elated?

A He was very happy. He got two markets 100 per cent.

Q Did he say anything, express anything?

A Yes, great.

Q Mr. Nelson, when this relationship with the Creekmores was first formed as you related, did you have any understanding as to who would build and operate whatever cellular systems the parties might eventually become involved in?

A Yes.

Q What was your understanding?

A We would build it and manage it.

Q We meaning?

A We--TDS, United States Cellular.

Q And what was the basis for your understanding that United States Cellular would build and operate the system?

A We had the experience. We had the team in place. We were rolling. We were building other markets.

Q Can you tell us in general terms what United States Cellular Corporation or TDS did for the joint venture prior to this disagreement that broke out in late '86, early '87?

A We had done a lot of things from the initial filing to market study, to work in the market place, just a whole array of things to get started in the market.

Q Do you recall anything else specifically that TDS or United States Cellular had done?

A No, if you could....

Q Is there any document that will refresh your memory?

A Well, there was a time when Roy Carlson called me and he wanted me to send him a brief review of what we had done and I did that. He happened to be in Washington so I faxed it to him so it's in my handwriting.

Q Let me show you....

MR. McKIRDY: Can we have this marked as Exhibit 34 for identification.

THE COURT: All right. Let it be marked.

[DOCUMENT MARKED EXHIBIT 34 FOR IDENTIFICATION]

Q Mr. Nelson, if you will take a look at Exhibit 34 that's been marked for identification. Do you recognize this document?

A Yes.

Q Can you tell us what it is?

A It was my fax to Roy Carlson who was in Washington at Koteen ~~NAFTALIN~~ and our FCC attorneys. This was a review of the work for the Biloxi-Pascagoula markets/Creekmores and it goes through a listing of what

those elements were from the filing all the way down to, you know, working on federal aviation clearances for cell sites.

Q Does this exhibit refresh your recollection as to the work that was done by United States Cellular or TDS prior to late '86 dispute with the Creekmores?

A Yes, it's a one-page good summary of that.

Q Okay, Mr. Nelson, why don't we refer to this document and you refresh your recollection as you go along and if you will, just explain to us what these items are on the document.

A Yes, the first three, they are where the filings with the Federal Communications Commission in which we did all the work with hiring a marketing expert Arthur D. Little, a consulting firm in Cambridge, Massachusetts, Jules Cohen, who was an engineering firm in Washington, D. C.--they were an engineering consultant in Washington, D. C. and Koteen Naftalin and these were the people who worked with us in preparing the FCC filings.

Q Now you mention A. D. Little. What exactly does A. D. Little have to do with the filing for a cellular permit?

A With the FCC at that time you had to present a marketing study, in other words, what the demographics were of the market, what kind of people were there, what you thought the number of customers would be, and a logical period of time. They did a projection for us in that area.

Q How about Jules Cohen?

A Jules Cohen did the basic engineering were the initial filings of the FCC to meet all of the specifications, the maps and everything that had to be put in with them in

multiple copies so that the FCC would have them and FAA type of clearance which would have been shown that those had been filed.

Q Okay. The next item says all of the above for 7 RSAs and I can't read the rest of it.

A That line says all of the above for 7 RSAs in mid to south Mississippi

Q Now do you mean that you filed for 7 RSAs?

A No, we had done all of the work for those filings in anticipation of the filings with the FCC.

Q What is the next item?

A FCC following and filings. That's the work that we had to do to--when the FCC had a question, we had to be able to answer it. Also additional financial filings that had to be made at the FCC. That's called the financial showing.

Q Now the financial showings with the FCC, what exactly were those?

A Well, that's where you had to tell the FCC that you had enough dollars to build the system and to operate it for a period of time.

Q What was the nature of the financial showing to the FCC in these filings?

A It was a letter to them with substantial financial data that showed that you had millions of dollars to go and build and operate these systems.

Q Now what is the next item on this list?

A It says negotiation on behalf of the partnership with Bell South and Alltel?

Q And what does that refer to?

A That speaks to some of the discussions that I had at length with Bell South, some with Alltel. Missing from

that would have been Centel who was involved in the negotiations also.

Q Does that refer basically to Exhibit 32?

A Correct, the one we looked at before.

Q What is the next item on here?

A The next one indicates USCC gave up Tallahassee, Gadsden, and Tuscaloosa. That does not show Augusta which was the other market that I had mentioned.

Q The next item?

A USCC has leased all cell sites and MTSO sites. In other words, we had found the primary location, not only for the filings but had done additional work in the market to be prepared to build the system because we expected the construction permit to be out soon.

Q What are cell sites?

A Cell sites--that's where you put these towers that emit the radio frequencies to send out your telephone call or to receive the telephone call from a cellular telephone.

Q MTSO sites?

A That's the digital switch. That's the switching office probably better referred to in this group as the telephone office.

Q Okay. Is that paid cash? Can you read the next one?

A Yes, paid cash to secure easements and rights-of-way. This is what you had to do to get the cell sites and to make sure that you could get to them once you had them.

Q I see. And the next item which to me is totally confusing.

A Well, this is telephone talk. It says obtained from Bell South, South Central Bell the commitment for the NXX. That's the telephone numbers, the lines, and then where the interconnection goes into the switching network.

Q Cellular signals and wireline signals basically.

A Well this is how you would take the call from a cellular customer, from the tower to your switch and then put them into the network so it would ring on your desk or mine or in our homes and the vice versa was true. It would go from the person's home or office to the tower and then to your cellular phone. You have to have that interconnection.

Q I see.

A Over 99 per cent of the calls are made that way today.

Q And the next item, negotiated?

A Negotiated with Contel for a tie to Mobile and then the next line negotiated with Bell South for a tie to New Orleans. We were exploring alternatives as to how we could minimize the cost for the system by possibly working off of the switching system either out of Bell South out of New Orleans or of Contel out of Mobile.

Q Did anything come of those negotiations?

A No, it was better and lower cost for the joint venture to build their own free-standing system.

Q The next item says requested RFQ from five vendors for equipment.

A Yes, RFQ is request for quotation. We were going out to all potential vendors so that we could get the lowest cost for the joint venture.

Q The next item.

A Obtained low cost. We were able to do that by

taking the systems that were here and the others that United States Cellular had that they were going to build and combine those and get a roughly quantity price on buying 20 systems at one time for northern telecom GE.

Q What is the next item?

A Complete soil borings. That's what you have to do in contemplation of building a cell site because you could be on sand or you could be on rock and this had to be done for some of the cell sites.

Q And the next item seems to refer to FAA clearances?

A Yes, there you have to file every tower that you have for FAA clearance, and then you have to wait for that and that's somewhat of a lengthy procedure.

Q So FAA means Federal Aeronautics Administration or Aviations Agency.

A Aviations Agency. It's where there's anything--well you put it in the air so it could be an obstacle for planes.

Q And what is the last item?

A Completed microwave plan. That is the plan to interconnect the cell sites with microwave rather than using landline telephone lines to connect the cell sites. It was more economical and much more practical.

MR. McKIRDY: At this time the defendants move for the admission of Exhibit 34 into evidence.

MR. HODGE: No objection.

THE COURT: Let it be marked Exhibit 34.

[DOCUMENT MARKED EXHIBIT 34]

Q Did you keep the Creekmores informed of all these efforts that you were doing?

A Yes, I actually brought it to him in San Francisco.

Q Do you recall when that was?

A It was part of a USTA--United States Telephone Association--convention in San Francisco and it had been requested just before that and it was easier for me to bring it and leave it at the hotel for him.

Q Was this in late '86 or early '87?

A Yes.

Q Was there anything unusual about this management agreement that you gave Mr. Creekmore?

A No, it was one that we had used. It was our if I can use the word standard agreement. It was our agreement that we used with other people.

Q This was an agreement whereby TDS would operate the system.

A Correct, a management agreement to build, operate and manage the system for the business entity.

Q And then you said--I'm not going to say then--but in this disagreement that developed with the Creekmores over who would operate the system, did the Creekmores ever propose to you that the management function be divided between the parties?

A Yes.

Q How did you respond to this proposal?

A I didn't liken to it very well.

Q Why not?

A Because I didn't think it was a very good division of labor. They were interested in doing the accounting work and the billing work and they were looking

for me to do the building, the managing, and in-market work, and all the marketing work.

Q Under their proposal, how would the management fees be split?

A Split equally.

Q Did you believe the work was going to be split equally?

A No.

Q Did you have any other problems with dividing the management function between the parties?

A My knowledge and my experience have shown that someone's got to have the responsibility to get the whole job done, to report, and to make it a business function.

Q Was this disagreement over who was going to operate or manage the system ever resolved?

A Yes.

Q How was it resolved?

A Roy Carlson told me that the Creekmores were going to build and manage the system.

Q Were they in fact given that responsibility?

A Yes.

Q Mr. Nelson, do you recall interviewing a man named Jim Murrell--and I think that's spelled M-u-r-r-e-l-l?

A Yes.

Q For a job with Cellular South?

A Yes.

Q Do you know where Mr. Murrell is employed now?

A Yes.

Q Where is he employed now?

A He is employed as the United States Cellular marketing manager in Asheville, North Carolina.

Wulefer Biloxi / Pascagoula Marshes / Cuckoo

3/8/89

Filing for Jackson ✓

Filing for Biloxi ✓

Filing for Pascagoula ✓

All the above for 7 RSNs in and to South Mississippi ✓

FCC Following and Filings ✓

Financial Showings for FCC ✓

A.D. Wells

Jules Cohen

Kotten or Naftali

Negotiation on Behalf of the Partnership with BellSouth / Cotel ✓

USCC gave up Tallahassee, Godsden, and Tuscaloosa

USCC has leased all cell sites and HSO sites

I can't secure easements and right of ways

Obtained BellSouth / South Central commitment to NXX, lines, and interconnect

Negotiated with Cotel for tie to Mobile

Negotiated with BellSouth for tie New Orleans

Requested RFQ from five vendors for equipment

Obtained low cost

Completed soil borings

Obtained FAR clearances

Completed Micro Wave Plan

203768

Prepared on March 15 to begin construction, manage, operate, and bring to profitability

Don/John 3/1/87

MOB 03 '87 12:25 U.S. CELLULAR-CH

Exhibit E
Engineering Statement In Re:
Amendment to An Application for
A Domestic Public Cellular Radiotelephone System
La Star Cellular Telephone Company
FCC File No. 27161-CL-P-83
New Orleans, LA (St. Tammany Parish)



Introduction

La Star Cellular Telephone Company (La Star) filed an application for authority to construct a cellular radiotelephone system in St. Tammany Parish, Louisiana (part of the New Orleans MSA) on the wireline frequency block in September 1983. The application was filed in response to Advanced Mobile Phone System's Application to Amend its Construction Permit in August, 1983 (now New Orleans CGSA, Inc. (N.O.CGSA)). By Public Notice dated September 28, 1987 the Commission has reinstated La Star's dismissed application and is accepting amendments to the mutually exclusive applications of La Star & N.O.CGSA.

Due to the extended time between the original filing and this action, La Star has not been able to continually renew all of its original Cell Site options. La Star has acquired site options for land in the immediate vicinity of these original sites. In response to the Public Notice of September 28, 1987, this engineering statement, the associated FCC Forms 401, and full scale (1:250,000) CGSA maps have been prepared to reflect these de minimis changes to the site locations. The antenna systems proposed in the original application have been retained and the coverage approximates that which was proposed originally.

Certain exhibits in La Star's original application are affected by these small relocations of the proposed base stations. Separate sections that follow address the instant changes as they effect each of La Star's original exhibits.